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SUBJECT: CAMBODIA QUESTIONS VALUE OF HIGH LABOR STANDARDS

1. SUMMARY: As the global economic crisis takes a firm hold in Cambodia, garment manufacturers, service providers and government officials have started to question the value of Cambodia's high labor standards. Unions and employers are further at odds regarding what constitutes a fair wage during a difficult period for Cambodia's garment industry which has seen dozens of factory closures and massive layoffs. While industrial relations remain contentious, there has been a significant reduction in strikes this year. Union leaders attribute this to the new trend of suppressing freedom of expression in Cambodia which they claim has already had a negative effect on workers' rights. END SUMMARY.

High Labor Standards - Why Bother?

2. The current bleak state of affairs within the garment and tourism sectors includes diminished exports (down 35% in the first quarter), reduced numbers of tourists (down 2.18% in the first quarter), factory closures (approximately 25 net closures in the first quarter), and massive layoffs (as many as 40,000 since March alone). The loss of a \$50 million potential contract to Bangladesh, in which the Japanese firm involved cited the number of strikes as one reason for the decision to not source from Cambodia, has been provided as one example of industrial relations interfering with the garment sector's ability to win and keep business. Taken together, these factors have led some within the government, along with factory owners, to question the value of Cambodia's high labor standards championed by the International Labor Organization's (ILO's) Better Factories initiative. Minister of Commerce Cham Prasidh recently warned buyers that the Royal Government of Cambodia (RGC) could be forced to revisit the importance it places on labor standards "if the result of the support of ILO labor compliance means fewer purchasing orders and less business for Cambodia." He went on to state that "in dire circumstances in which prices are falling, CSR (Corporate Social Responsibility) could be relegated to the back stage." An ILO representative told Poloff that he is now scrambling to rally buyers to contact relevant government officials directly to reinforce the importance of upholding Cambodia's labor standards.

Want More? Make More!

3. Union demands for higher wages are also prompting negative reactions from the government and employers. The Committee for Fair Wages, a coalition of seven labor federations representing 80% of Cambodia's garment workers has started a campaign to increase the minimum wage from \$50 to \$93 a month. The National Institute of Statistics recently issued a report which calculated \$3 a day is required for an adequate standard of living. Garment workers currently earn \$1.93 per day. A separate report released by the Cambodian Institute of Development Study (CIDS) found

that garment workers require at least \$90 per month in order to maintain a decent standard of living. The government and the Garment Manufacturers Association in Cambodia (GMAC) dismiss both the union request and the report as being unrealistic due to the global economic crisis, low productivity, informal expenses, and high cost of utilities. However, the CIDS president stated that an increase in wages would motivate the workers to increase productivity and reduce strikes. GMAC Chairman Van Sou Ieng contends that would be like "counting the chickens before they hatch." He elaborated by stating he has no problem raising wages, as long as workers first produce more and unions discontinue strikes.

#### Scared to Strike

14. In reality, strikes for the first five months of the year are down 67% compared to the same period last year. Industry experts attribute the decline to a wide range of causes, from the current economic situation to increased numbers of "most representative unions," government pressure, and fear of repercussions. There are currently seven high profile disinformation or defamation lawsuits against critics of the government. Although none currently involve unions or workers, union leaders worry that the new trend of curtailing freedom of expression has already had a negative effect on union rights. The president of CCAWDU, the most independent union in Cambodia, claims "the right to protest and freedom of speech have been restricted in recent months." Other union leaders, including those of pro-government unions, also expressed concern that freedom of expression has declined,

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citing intimidation due to the recent lawsuits. However, the American Center for International Labor Solidarity (ACILS) Country Director attributes the decline in strikes to the global economic crisis, and not to threats of lawsuits or other government interference.

15. Unions also claim that a new draft law on peaceful demonstrations is further evidence of the RGC's plan to crack down on labor rights and freedom of expression. The National Assembly is currently reviewing the draft law, which would include restrictions on demonstration venues, sizes and times. Opposition lawmakers have criticized the draft for not clearly defining the phrase "public order," which could potentially leave the RGC open to interpret which protests disturb such order and arbitrarily shut them down. Rong Chhun, president of the Cambodian Confederation of Unions (CCU) sent a letter to the National Assembly requesting the deletion of clause 1 and 2 of Article 14 of the draft law on demonstrations, which defines a peaceful protest as a gathering of no more than 200 people. He also requested the deletion of article 28, which states that public demonstrations can be held at just a single venue in each province, which the authorities would be obliged to build within six months of the bill becoming law. The RGC has responded by claiming that Cambodia needs venues where people can assemble to demonstrate peacefully, and that this would "protect social security and public and private property," but is not meant to reduce freedom of expression or assembly in Cambodia.

#### Comment

16. Whether due to the global economic crisis itself, or the government simply using it as a pretext, labor standards and associated freedom of expression are seemingly in jeopardy in Cambodia. The fact that a respected high government official stated that the Better Factories initiative may need to be reevaluated due to declining orders has worried many in the labor sector who strive to promote workers' rights in Cambodia. The Embassy, ILO and buyers concerned with CSR will continue to promote the importance of high labor

standards. In response to press inquiries, the Embassy recently expressed concern about the constriction of free expression in Cambodia. There have also been high level discussions with the RGC on the topic. The government's response over the next weeks to repeated and increased public criticism will be key to determining whether labor standards are at risk in Cambodia.

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